Santander Consumer Bank AS Pillar 3 disclosure

2014

DOCUMENTATION OF RISK PROFILE AND NECESSARY CAPITAL REQUIREMENT

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1. Executive summary

Introduction to Santander Consumer Bank

Santander Consumer Bank's (the Bank, SCB) vision is to be one of the leading Nordic companies within car, leisure and consumer finance. The Bank is a subsidiary of Santander Consumer Finance SA, a leading player within car and consumer financing in Europe. Santander Consumer Finance is part of Grupo Santander, one of the world's largest banking groups, with head office in Madrid.

Santander Consumer Bank is based in Lysaker, Norway, and operates with branches in Sweden and Denmark and a wholly-owned subsidiary in Finland. The Bank's history goes back to 1963 and the establishment of ELCON Leasing. The Bank was bought by Santander Consumer Finance SA in 2004. The Bank acquired Bankia Bank AS in 2005, SkandiaBanken Finans in Denmark in 2007 and GE Money Bank in Finland in 2009. Santander Consumer Bank is organized as a Nordic cluster with central support functions and four business units:

- Car and Leisure Financing Norway
- Car and Leisure Financing Sweden
- Car and Leisure Financing Finland
- Car and Leisure Financing Denmark

The central support functions are located at the head quarter in Norway. All business units have their own local support functions, in the case of Norway these local support functions are coordinated with central support functions. The Nordic group employs approximately 680 people.

Risk profile of the institution

The Banks CET1 capital requirement as of December 2014 amounted to NOK 7 613 million to cover it's risk considered under pillar 1. This amount includes requirements for Capital Conservation buffer, countercyclical buffer as well as Systemic Risk Buffer. In addition the Bank needs NOK 1 142 million Tier 1 capital and NOK 1 523 million Tier 2 capital to cover it's total capital requirement under Pillar 1. As a result the Bank's total capital requirement for 2014 was NOK 10 278 millions.

Program of future measures

Santander Consumer Bank has applied to start using IRB-A method for credit risk calculation. The Bank submitted the first six portfolios for approval in December 2013. So far none of the portfolios have been approved, but the Bank continues to work with model development related to the portfolios in later waves of IRB-A roll out plan.

The Bank is seeking for approval to merge with Santander Consumer Bank AB, former GE Money Bank AB which was acquired by Grupo Santander in 2014.

2. Internal governance and control

This chapter of the report includes the qualitative aspects of the ICAAP relating to internal governance, risk management and internal audit of risks, as well as the quality control, approval and use of ICAAP within the Bank.

2.1 Internal governance

The aim of this section is to summarize the Bank's organization and governance related to risk management.

2.1.1 Description of the Bank's organization

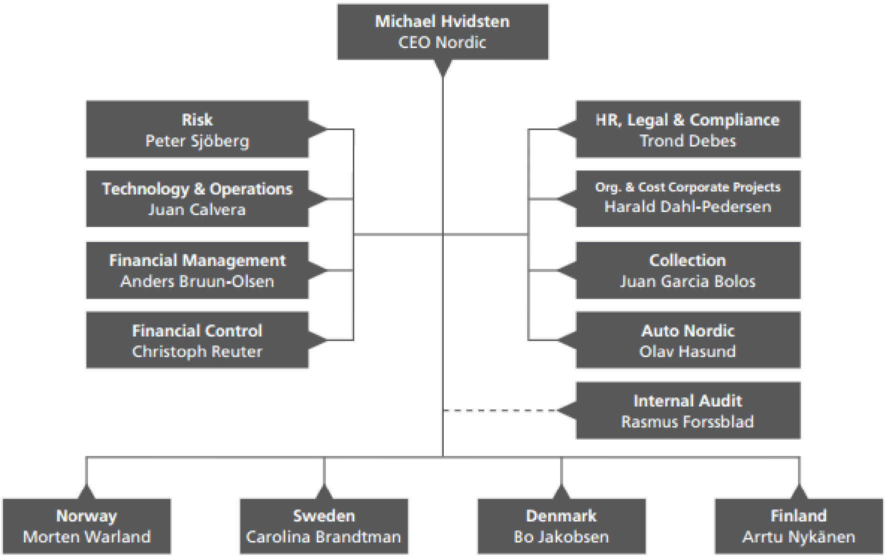
The Board of Directors

The Board of Directors of Santander Consumer Bank consists of Erik Kongelf (non-executive chairman of the board), Bruno Montalvo Wilmot (deputy chairman), Maria Del Rosario Vacas Roldan, Javier Anton San Pablo, Manuel Menendez, Bjørn Elvestad, Henning Strøm and Vibeke Hamre Krey (employee representative). The Board of Directors has appointed Michael Hvidsten as CEO.

The Senior Management

As Santander Consumer Bank is organized as a Nordic cluster, the Bank operates with a pan-Nordic management structure, consisting of the CEO, the heads of the different business units and the executives responsible for central staff functions.

Figure 1 Senior management of Santander Consumer Bank



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2.1.2 Functions and responsibilities of the Board of Directors related to management of risks, internal control and capital adequacy

Capital adequacy

In Santander Consumer Banks AS, the board sets the goals and targets for capital levels in the bank and composition of capital stock. The Bank's capital management objectives are to:

- Ensure compliance with regulatory capital requirements.
- Maintain sufficient capital to cover potential unexpected losses arising from all material risks the Bank is exposed to.
- Incorporate capital management considerations into annual strategic planning processes to support the business growth and broader business objectives in a prudent manner.

The Bank performs its capital target setting annually as part of the ICAAP process. The Capital Function within Financial Control is responsible for managing the process. At least once a year, the Bank performs stress testing as well as assessment of pillar 2 risks. All departments of the bank provide inputs to the assessments concerning their operations. Financial Control is responsible of gathering and consolidating the information. Once the stress testing and the pillar 2 risk assessment is completed, based on the results, the Board will set capital targets which ensure sufficient coverage of the risks it is exposed to.

In SCB AS, The Board of Directors is responsible for setting targets for capital adequacy. A general principle for capital target setting is to always have sufficient capital to cover both pillar 1 and pillar 2 risks of the Bank. In addition, the Bank holds management buffer to ensure sufficient capital in all situations. Targets are set on consolidated level for Nordic group.

Financial Control is responsible of providing the Board with forecast of capital ratios extending at minimum 12 months forward. In case forecast shows a breach of capital trigger, the management is responsible to provide an action plan maintaining solid capitalization of the Bank.

In order to maintain solid capitalization of the bank, possible actions to be considered among others are listed below followed by description of the transaction and its impact on capital position.

- Issuing new capital instruments
- Deferral or cancelation of planned dividend payments
- Reduction of new lending to customers
- Selling assets

Issuing new capital instruments
The Bank has the possibility to issue new equity (CET1), hybrid instruments (T1) or subordinated loans (T2). Issuance of these instruments increase capital held by the Bank. The type of capital to be issued is to be chosen depending on which capital ratio is setting the trigger.

Deferral or cancelation of planned dividend payments
Paying out profits of the Bank reduces the equity of the bank and thus has a negative impact on the solvency ratios. Deferring or canceling planned dividend payments can thus be used to retain capital in the bank and to strengthen the solvency ratios on all levels, CET1, T1 and Total capital.

Reduction of new lending to customers
Limiting the generation of new loans to customers, the Bank can reduce the growth rate of its assets and thus the growth of the credit risk exposure of the Bank.

Selling assets
Selling assets impacts capital in two ways. On one hand, sales proceeds can positively impact the Bank's profit and loss account and thus help the Bank to generate capital. On the other hand, selling assets reduces assets held by the Bank and thus reduces the Bank's credit risk exposure. Assets considered for sale can be tangible assets, loan portfolios, business areas, branches or subsidiaries.

The process for determining which of the above actions, or combination of actions, to implement will be considered by the Board of Directors at the time of the actual event.

The Board of Directors is of the opinion that the current preparedness internally in the Bank will secure capital coverage with a comfortable margin over the minimum requirements in Pillar 1. The attentiveness when assessing the amount of capital needed to support the Bank's risk is considered to be sufficient. The Board of Directors has considered the risk related to estimating expected growth and the influence this risk has on the quality of the results of the scenario calculations. Accordingly, the Board of Directors acknowledges the uncertainties that exist in the analyses carried out during this assessment. Future growth beyond current plans will be satisfactorily capitalized before it is carried into effect.

Liquidity and Market Risk Policy

SCB's liquidity and Market Risk Policy defines roles and responsibilities for liquidity and market risk management. These processes involve several counterparties. Following paragraphs define these roles.

Treasury & Financial Analysis
The Treasury & Financial Analysis department is run by the Head of Treasury and Financial Analysis and reports to the Nordic CFO, who reports to the Nordic CEO. Treasury is responsible for the day-to-day management of Liquidity, Interest rate risk and currency risk.

Capital Markets

The Capital Markets department is run by the Capital Markets Director Nordic and reports to the Nordic CFO, who reports to the Nordic CEO. Capital Markets is responsible for providing the Bank with external funding from the wholesale capital markets.

Risk Controlling & Structural Risk
Structural Risk is owned by the Nordic Risk Controller who reports to the Nordic Chief Risk Officer. The Nordic Risk Controller is responsible for the control of Structural Risk and for the risk stream for the secured and unsecured transactions issued by the bank. The department acts as the controlling unit for Structural Risk defined as Liquidity Risk, Interest Rate Risk and FX risk.

Financial Control
Back Office is a function within the Capital and Treasury Control team. Manager of the team reports to the Chief Controlling Officer. The main purpose of the back office function is to provide supporting services to the Financial Management department.

SCF Oy Treasury
The Treasury function in SCF Oy is run by the Finnish Treasury Controller, who reports to the Finnish CFO. The Treasury function must at all times have access to the staff resources and competence to ensure that all the requirements laid down in this document can be met. Treasury in SCF Oy is responsible for the day-to-day management of Liquidity, Interest rate risk and currency risk.

Internal Audit
Santander Consumer Bank AS has a local internal audit function, which directly reports to the BoD. In addition, there is a functional reporting to Santander Group's Internal Audit Division at the global headquarters. Internal Audit is responsible for regularly performing an independent review of the Bank's supervision and control of liquidity risk according to Article §12 of the regulation on prudent liquidity management issued by the Norwegian Ministry of Finance on 29 June 2007 with the last changes on 21 December 2011. The scope and objectives of each review shall be determined in accordance with the Santander Group's Internal Audit Methodology and in consultation with Group Internal Auditors in Madrid.

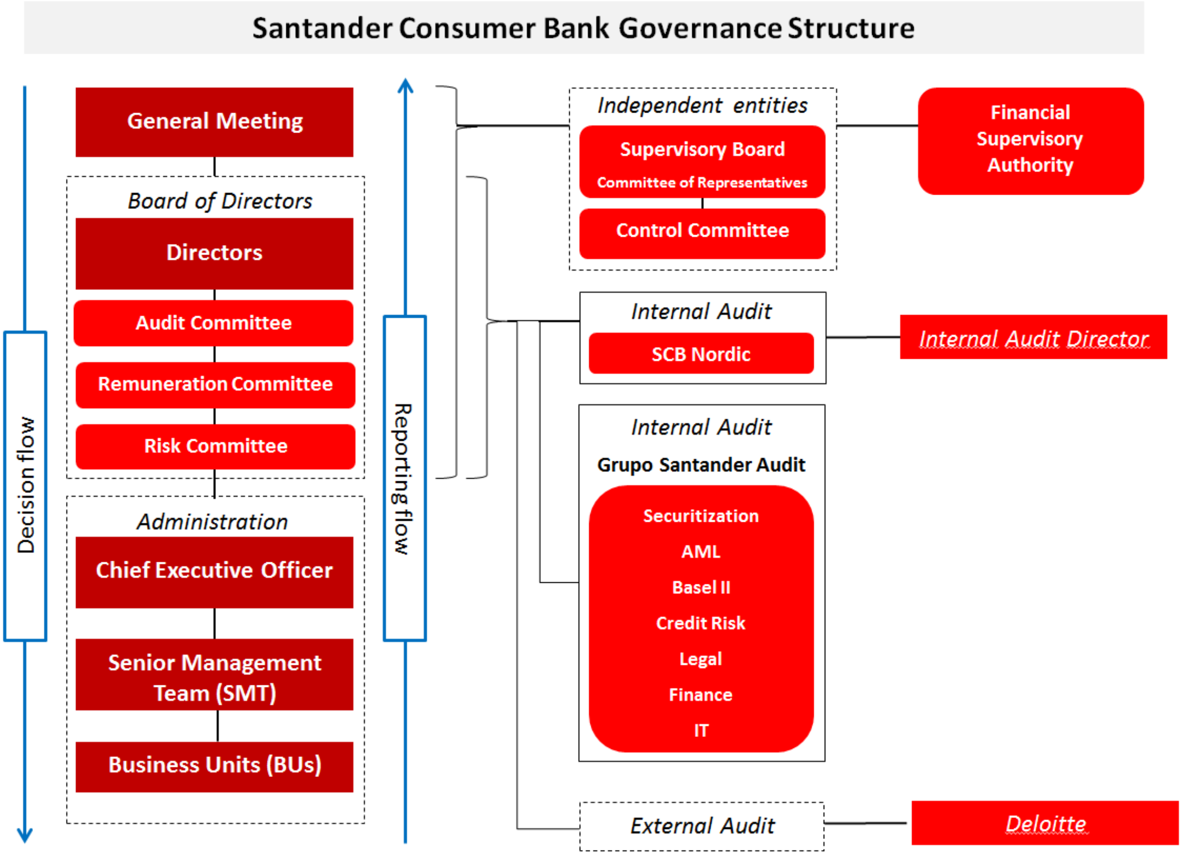
Dividend policy

Generally the owner, Santander Consumer Finance, will call for dividends to be paid corresponding to last year's profits, and also current year's profit to fulfill Santander Consumer Finance and in turn Grupo Santander requirements if necessary. The Bank aims to pay annual dividend to Santander Consumer Finance S.A. However, any dividend payment is subject to ensuring sufficient capitalization to cover all material risks the Bank is exposed to as well as to cover regulatory capital requirements. Prior to any decision to distribute dividends, capital levels will be checked in accordance with the owner of the Bank to assess that it is sufficient to cover the Bank's need for capital within the relevant strategy and budget period, in line with capital target of the Bank and always above regulatory requirements of the Bank. The budgeting and planning process incorporates the capital perspective so that capital injections and dividends can be planned in order to keep the capital at the desired level. The close dialogue between Santander Consumer Bank and the owner implies that the capital need, based on business decisions, can be tailored to the capital put at risk. In case of significant changes in the Bank's business plans or risk exposures, for example in the case of acquiring new companies or portfolios, an individual assessment of the Bank's capital requirements will be undertaken with the purpose of adjusting the requirement to reflect the changed risk.

2.1.3 Corporate governance assessment

The figure below is illustrating how corporate governance is structured in Santander Consumer Bank: how authority and responsibilities are allocated and how decision- and reporting lines between the shareholder, the Board of Directors, the management of the Bank and the audit function are arranged.

Figure 2 Internal governance structure



The corporate governance hierarchy of the Bank is designed in order to provide structure to:

- how the Bank's objectives and strategy are set
- how the Bank's risk appetite and risk profile are determined
- how the Bank's business is operated on a day-to-day basis
- how the business of the Bank is governed by the Board of Directors and senior management
- how the Bank should meet shareholder obligations and protect interests of other recognized stakeholders
- how the Bank should operate in compliance with applicable laws and regulations

The corporate governance is designed in a manner that is proportionate to the size, complexity, structure, economic significance and risk profile of the Bank.

2.1.4 Capital governance and management framework

Capital governance and management in the Bank is based on capital framework approved by the board in December 2013. This chapter outlines the main characteristics of that framework.

2.1.4.1 Capital governance

Board of Directors

In the case of Santander Consumer Bank AS, other than in matters reserved to the General Meeting, the Board of Directors is the Bank's highest decision-making body. It is the Board's policy to delegate day-to-day management of the Bank to the executive bodies and the management team and to concentrate its attention on its general supervisory role, assuming and exercising directly the responsibilities this function entails, which cannot be delegated.

Capital Committee

The Capital Committee is responsible for supervising, authorizing and evaluating all aspects relating to the capital and solvency of the Group.

As regards supervision:

- Analyze solvency and capital adequacy.
- Supervise budget compliance, capital planning and stress testing at both consolidated and local level.
- Monitor capital consumption, RORWA, RORAC and EVA by unit and business.
- Supervise and monitor all aspects of implementation of advanced approaches throughout the Group.
- Rise to the Board of Directors or, of the Executive Committee when applicable, the eventual decision to activate the viability plan, as it is set at corporate level.

As regards authorization:

- Review and validate capital planning and stress testing exercises at both local and consolidated level before they are submitted for internal approval or to the relevant supervisory authority.
- Approval of changes in capital models and methodologies, considered material for internal purposes, accompanied by the report of the independent validation area, previously presented at the Models Committee, for those risks under the scope of competence of the General Directorate of Risk and at the Capital Operating Committee.

For the purposes of this framework, the considered relevant changes are those whose impact exceeds a threshold of 1% of the capital consumption.

Annually rise for consideration to the Board´s Risk Committee all changes made in the models and capital methodology.

As regards identification of proposals:

- Capital targets for the planning horizon envisaged in the Internal Capital Adequacy Assessment Process.
- Optimization of capital consumption.
- Improvement of solvency ratios.
- Improvement of capital models and integration of capital models in management.

It also coordinates interrelated decisions affecting liquidity and capital at corporate level, receiving the necessary reports from other forums and committees.

Members of the Capital Committee are representatives of the areas in the following list:

- Financial Accounting and Control
- Risk Department
- Financial Management and Investor Relations

2.1.4.1 Capital management

The following figure outlines the role played by each of the functions involved in capital management and monitoring. Further details can be found in Corporate Capital Framework.

Figure 3 Capital management organization

Financial Control	Capital function	Regulatory and economic capital calculation, analysis and reporting, and associated metrics (risk-adjusted return and value creation of the different units/businesses). Communication and direct contacts with the regulator. Calculation of solvency level and internal assessment of capital needs; preparation of the internal capital adequacy assessment report. Capital stress testing exercises. Integration of the metrics associated with capital in business management
	Management Control	Measurement of capital consumption for market, operational and counterparty risk under the standardized approach. Incorporates capital management metrics into management information systems.
	Management Control	Interpretation of laws and regulations, and participation in forums and working sessions on regulatory issues relating to capital
Risk Department	Methodology	Development and methodological monitoring of models within the scope of the Risk department
	Solvency Risk	Responsible for the accuracy, consistency, quality and integrity of the risk data that affects the computation of capital consumption.
	Risk decision making areas	Responsible for the risk policies definition and risk management within defined segments.
Financial Management	Financial Management	Execution of capital management decisions in the capital market.
	Investor Relations	Communication with investors and other agents.
	Technology and Operations	Development and implementation of systems and databases for capital calculation based on the requirements of back office users. Administers and operates the risk systems and checks their data quality.
	Internal Audit	Independent supervision of the capital process.

2.2 Risk management

This section of the report addresses the bank's risk profile, appetite, governance, and BASEL A-IRB implementation planning.

2.2.1 Corporate risk culture: General principles of risk management

The ICAAP for Santander Consumer Bank AS (SCB or "the Bank") is based on limits for risk set by the Bank's Board of Directors (BoD) and documented in multiple governance protocols.

The Bank's instructions on internal control comply with the Norwegian FSA's modules regarding risk-based inspection ("Risikobasert tilsyn"). The bank's aim is to have a supervisory control in line with the Norwegian FSA's module on Internal Governance in credit institutions, which contains the following concerning risk profile:

- The Bank is not to take on significant risk outside of its ordinary scope of business.
- All exposures having a high denomination are reported to the BoD even if the exposures carry a low or moderate risk profile.
- The Bank incurs the standard funding liquidity risk arising from the ability to fund short-term obligations while making longer term commitments in the course of normal commercial operations. The BoD establishes a liquidity risk framework through separate policies for the capital management function. These financial risks are to be kept at low or moderate levels.
- SCB AS' strategy is not to take on market risk in excess the risk generated by normal commercial operations. SCB AS does not have a trading portfolio or positions in securities, commodities, etc.
- Operational risk, business and strategic risk, and reputational risk are to be kept at a low or moderate level.
- Credit risk is to be kept at a level that over time corresponds to the average credit risk of the companies within the Santander Consumer Finance SA Group (SCF) after adjusting for differences among the companies regarding product mix and collection. The Bank shall establish credit policies that ensure good portfolio diversification by customer segmentation. Large single name credit exposures are reported to the BoD.

2.2.2 Specific aspects of Credit Risk management

The following shall apply with regard to credit risk management and credit risk tolerance:

Credit Risk

Credit risk is considered the most significant risk for the Bank. Credit risk is kept at a level that (over time) corresponds to the average of companies within the SCF group, taking into account differences among the companies with regard to collection and product mix.

The portfolio is to be continuously monitored with respect to risk and quality. The two most important parameters are:

- The customer's credit worthiness at the time of underwriting.
- Customer behavior over time, in the form of payment record and potential default levels.

Qualitative Targets

Credit processes and policies describe the guiding principles for the type of customers that the bank aims for and manages. SCB follows these qualitative principles for product offering and customer selection:

Competence
"We will only take on credit risk in which we can master and control." The Bank will only engage in lending activities where the risks are understood.

Credit purpose
"We will only grant credit for the purpose in line with good and proper business practices." The Bank is not in any way to be connected to activities, customers, or industries with dubious reputation.

Profitability
"When granting credit, the contract will provide a commercially viable profit". Earnings per individual customer must be proportional to risk, actual costs and required return on equity.

Customer requirements
The Bank is only interested in customers who:
- are able to understand the consequences of their financial actions
- have an expected future stability in relation to the conditions on which the contracts are based
- can verify their identity, the legitimacy of their activities and the source of their funds

The Bank is not interested in customers who:
- have proven through previous behavior that they are not able to manage their own finances
- have acted dishonestly in relation to the bank or other businesses
- have incurred losses for the Bank, unless the customer cannot personally be blamed for this situation and also has cooperated in finding solutions to limit the bank's loss
- have outstanding default remarks, open issues with collection agencies or other defaulted obligations
- are refusing to provide required information or documentation
- are involved in businesses carrying high money laundering risk

Customers characterized with these attributes will not be granted new or increased credit. Active processes remain in place to actively reduce, terminate, or enforce security for obligations with customers having these attributes.

Ability to service
We want customers whom we can trust in relation to their ability and willingness to pay.

Quantitative Targets

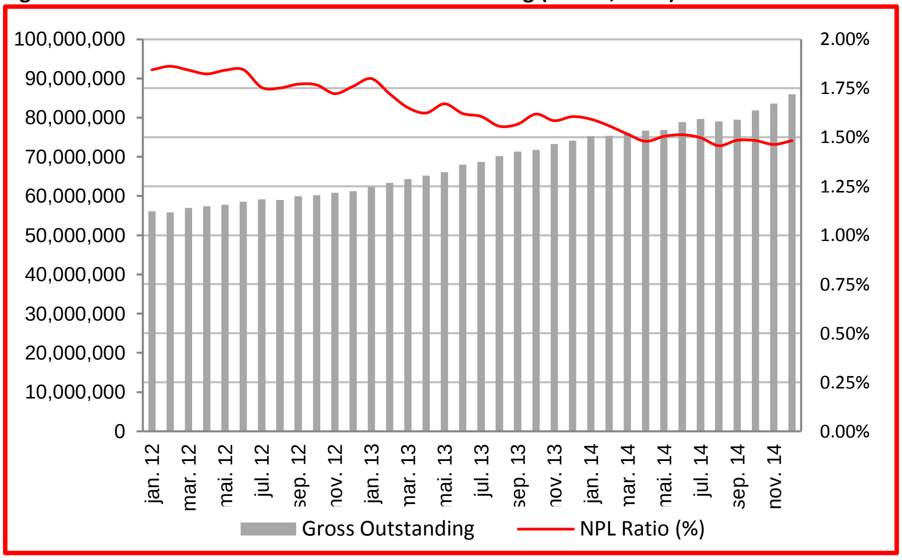
The quantitative targets for credit risk performance in the Bank's the Annual Budget & Limit Plan is coordinated through the centralized Risk Management function of Banco Santander.

The metrics with targets specified are:
- Non-Performing Loans (NPL)
  - New Entries
  - Cures
- Management Delinquency Variation (VMG)
- Write Downs (Loan Loss Reserves (LLR))
- Loan Loss Provisions (Credit Losses)
- Recoveries in P&L
- Risk Premium (RP %)

In addition to the Annual Budget and Limits, the BoD establishes the risk appetite of the Bank via a limits framework. The limits framework functions on a portfolio level and incorporates multiple underwriting, performance, and forward looking criteria. Risk Management monitors limit compliance on a monthly basis and reports compliance and limit breaches to the Board. The limits framework is a two-tiered system with a warning level and a higher maximum level. If a portfolio reaches the maximum level, remedial action respective to that portfolio must be taken and the Board must be notified of the limit breach.

The limits framework has a high level of granularity in terms of the parameters monitored. However, the NPL ratio demonstrates one overall trend in the loan portfolio's risk profile (Figure 4).

Figure 4 Nordic NPL Ratio vs. Total Gross Outstanding (NOK 1,000's)



Credit Committees

There are two levels of credit granting committees in SCB: the local credit committees in each business unit and the central credit committee. The local credit committees can grant credits according to delegated authorities, while the Nordic central credit committee can grant credits up to €6 MM. Credit proposals between €4 MM and €6 MM shall be referred to the SCF loans Committee for informational purposes. Credits above this limit are to be granted in the SCF loan committee (< €10 MM), the SCF executive committee located in Madrid (< €50 MM), or Banco Santander Delegated Risk committee located in Madrid (unlimited).

2.3 Internal audit of risks

This section describes the organization and reporting lines of the internal audit function, as well as the resources allocated to review the internal capital adequacy assessment process (ICAAP).

2.3.1 Internal audit in Santander Consumer Bank

Santander Consumer Bank has a local internal audit function, which reports to the Board of Directors. In addition, the Santander Group has an independent internal audit department which performs audits which cover such topics as Credit risk, Basel II and Finance, and by extension other areas such as IT and Operations. The Grupo Santander Internal Audit reports to the Internal Audit committee in Madrid which again reports to the Board of Santander Consumer Finance. All recommendations are followed up by internal audit and monitored by the Santander Consumer Finance's Internal Audit committee.

Santander
CONSUMER BANK

3. Measurement of risks and quantification of the capital requirements

This section of the report, and the following chapter 4, include the estimation of the capital requirement of the ICAAP, relating to the identification and individual quantification of the different risks to which the institution is exposed to.

3.1 Assessment of capital needs for credit risks

Credit risk is the most significant risk in SCB and defined as the potential loss of value from obligors that are unable or unwilling to repay their obligations. The most important parameters when establishing credit relationships are the customers' credit quality and subsequently the customers' behavior over time.

Organization of the credit risk function

SCB is organized as a Nordic cluster with central support functions and four business units:

- Norway
- Sweden
- Finland
- Denmark

The central risk function headquarter in Norway. Additionally, each business unit has a local risk management function with a risk director reporting directly to the Nordic Chief Risk Officer.

The SCB organizational structure is designed to support the credit risk management of the bank. The Bank leverages pan-Nordic initiatives and strategies resulting in highly homogeneous credit risk practices across the business units while also considering the local market's needs and operating climate.

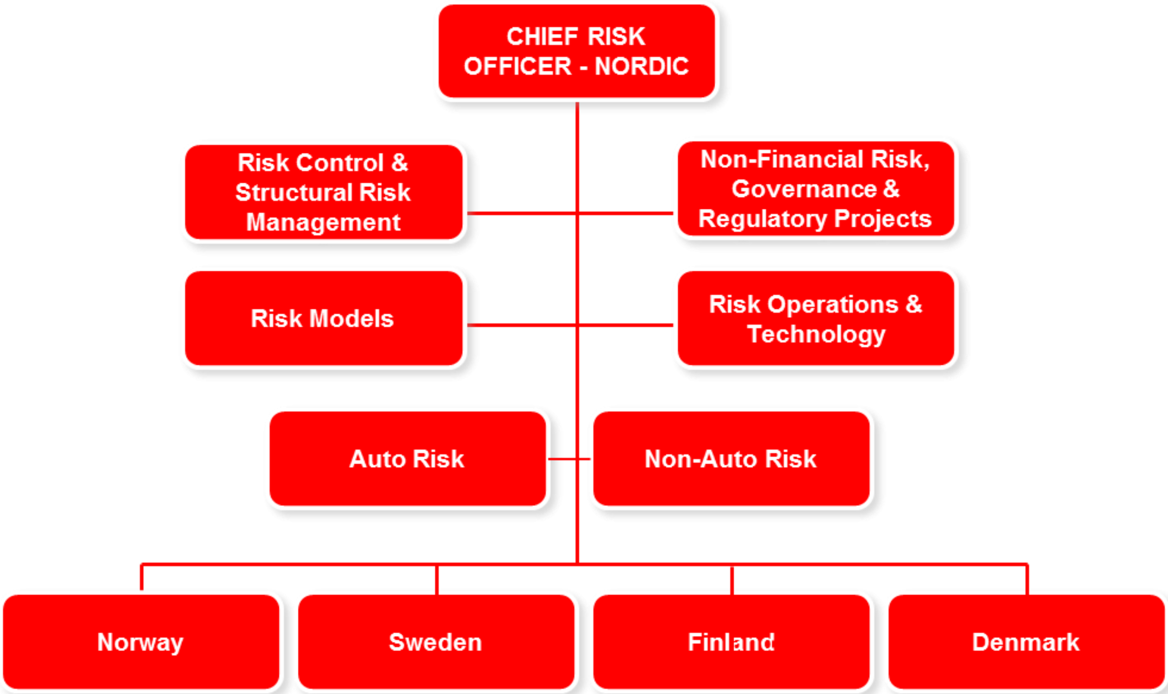
Credit risk management is divided into "Standardized" and "Non-Standardized" risk areas.

Standardized (Retail) exposures are managed via a highly automated credit approval process using internally developed scorecards.

The Non-Standardized risk segment is defined as auto and stock finance offered to corporate clients with a consolidated group turnover exceeding €50 MM and/or clients with credit exposure of over €0.5 MM. A customer normally remains Non-Standardized even if the contract exposure over time is reduced below €0.5 MM.

Business units in SCB AS follow a similar structure, but credit risk is managed individually by the different Risk Directors using shared approaches on the management and measurement of credit risk.

Figure 5 Credit risk department of Santander Consumer Bank



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Credit Policies

The Board of Directors has approved a Nordic "Policy and Principles for Managing Retail Credit Risk" as corporate guidelines and principles for performing risk functions, which are in line with the IRB-A method and the internal corporate guidelines by Grupo Santander and SCF ("Corporate Framework for Retail Credit Risk Management"), a corporate framework for the subsidiaries implemented, and maintained in any given market for any given product. SCB's Nordic "Policy and Principles for Managing Retail Credit Risk" is the core policy directing the organization's risk acceptance criteria.

SCB's portfolio is monitored continuously in order to assess performance, risk profile and quality. Portfolio management activities consist of monitoring trends and events which could lead to a situation where trigger levels could be exceeded; in which case the bank will adjust systems and processes in order to ensure that the quality of new businesses remains at a satisfactory level. Credit policies, rules and scorecards, are continuously monitored with the purpose of obtaining the desired risk profile set by the BoD. Adjustment of credit policies, rules, and scorecards in accordance to the portfolio performance is under the risk department's mandate as part of active portfolio management practices.

Portfolios and Basel II IRB-A application

SCB has applied to the local and parent company regulators to use the Advanced-IRB (IRB-A) Approach for selected segments. The implementation plan consists of three phases ("Waves"). These segments represent the majority of the SCB Nordic Group Credit Risk exposure. For all other segments, the Standardized Approach will be used.

Scorecards and parameters estimation for the Standardized segment

For the Standardized segment, the Bank relies on admission models, as well as policy rules, in the credit decision process. Currently, most products use internally developed admission scorecards that adhere to Basel II requirements and principles.

The portfolios labeled “Wave 1” have been submitted for A-IRB approval to the Norwegian FSA and the Bank of Spain . Submission of subsequent portfolios remains on hold pending a decision on the “Wave 1” portfolios.

In addition, SCB has implemented admission and behavior scorecards. The purpose of the behavior scorecards is to have an updated view of the default risk for the contracts in the portfolio, as well as its usage for parameter estimation and development of risk strategies.

All scorecards are continuously monitored. The minimum score limit is adjusted on the proportion of defaults according to score. The goal is to continuously ensure that portfolio delinquency is within acceptable limits by adjusting the score limits in line with the quality of the applications. Newly implemented scorecards are monitored both on stability, predicatively, and performance to set and manage risk appetite following risk-return principles.

Rating Model and PD-estimation for Non-Standardized business

The Non-Standardized (Companies) segment is composed of large and/or complex exposures evaluated individually by a risk analyst. Depending on the size of the loan the application will need to be escalated and submitted to the relevant Credit Committee for approval; this in compliance with delegated credit authorities’ structure established in Credit Policy.

During 2010, an internal rating model developed centrally in Grupo Santander was implemented in all units. This involves risk analysts reviewing all Non-Standardized clients and setting a rating punctuation or score, following Santander Rating scale (see below). Ratings from the Santander Internal Rating model method will result in an individual PD by Non-Standardized exposure.

The Santander Internal Rating Model is an expert model, which takes into account objective criteria from the clients’ Financial Statements and an assessment of the obligor’s shareholders and management. The six main rating areas are rated and weighted as illustrated below:

Write Downs and Credit Losses

The portfolio can be rated by the scores of new customers and by the payment behavior of existing customers and corporate customers in risk classes. Risk classes show that the major part of the portfolio is of satisfactory quality.

Table 1 Quality distribution of portfolio

Wave1 IRB-A portfolios

PD Buckets	% of Total
A [0.00-0.50)	10.9%
B [0.50-1.00)	24.3%
C [1.00-1.38)	15.1%
D [1.38-3.35)	31.2%
E [3.35-4.07)	6.7%
F [4.07-8.21)	3.8%
G [8.21-10.64)	0.5%
H [10.64-100)	6.5%
PD 100	1.0%
Grand Total	100.0%

Total Portfolio

Risk Class	Descriptio	% of Total
0	Very good	93.5%
1	Good	4.4%
2	Medium	0.9%
3	Less good	0.3%
4	Default	1.0%
Total		100.00%

The consolidated Loan Loss Reserve (LLR) increased from NOK 1.2 BN (2013) to NOK 1.6 BN in 2014. Portfolio growth in specific business units and individual exposures led the increase in Loan Loss Reserves. Additionally, LLR model calibration impacted the calculation of the Incurred But Not Reported (IBNR) impairment.

SCB incurred NOK 849 MM in consolidated credit losses for 2014. This corresponded to 1.13% of 12 months average gross loan amounts at December 2014 (December 2013: 0.75%) with the rise attributable to the LLR model calibration.

In 2010, the bank migrated to an IFRS 12 month expected losses write-down model including Incurred But Not yet Recognized (IBNR) write-downs for current exposures. The bank's principle and risk management policy is to cover for 12 months of expected loss at consolidated level at all times.

Suitability of the Standardized Method

A review of the rules regarding both the Standard and IRB-A method shows that correlation between business sectors may have an impact on the capital adequacy under Pillar 2. Currently, the bank does not have an economical capital model that can reflect these correlations. The same applies to the use of internal PD and LGD models under Pillar 1. The bank thus considers the Standard method to be sufficiently cautious. Further, the methodology of the standardized approach is particularly suitable for the bank's portfolio of many small loans and high degree of diversification.

Residual risk

Residual risk is defined as the risk associated with loan collaterals not being as valuable as expected. Residual risk is considered to be relevant for SCB as up to 79% (as per 31.12.2014) of the portfolio comprises of loan and leasing contracts secured by cars or leisure objects (boats, motorcycles, and caravans). Despite the potential for a decline in the collateral value, this risk is mitigated by the shorter term maturity of SCB's secured products which constrains the window period in which the collateral value can decline. Additionally, down payment requirements at the formalization of a loan further reduces the Bank's residual risk.

As the residual risk represents a relevant, but minor, risk for Santander Consumer Bank, the Bank sees Pillar 1 credit Risk requirement to be sufficient to cover the residual risk based on the Economic capital model.

Other credit risk issues

SCB gives credit lines to customers in various relations; for credit cards, for stock financing towards car dealers and to some extent to relatively large customers with continuing car and heavy vehicle financing needs. Unused limits could be cancelled or adjusted in the case of reduced credit quality of the borrower.

3.2 Assessment of capital needs for concentration risk

The Bank is exposed to consumers and to industries that may be expected to correlate with the economic situation of the consumer. This exposure is inherent with the core business of the bank, and the fee and interest income levels, as well as the loss provisions, are adapted to this credit risk environment. Losses in one area of the bank's business could lead to losses in other segments of the bank's business. Specific concentration risks which might have a significant impact on a standalone basis are addressed below.

Large exposures

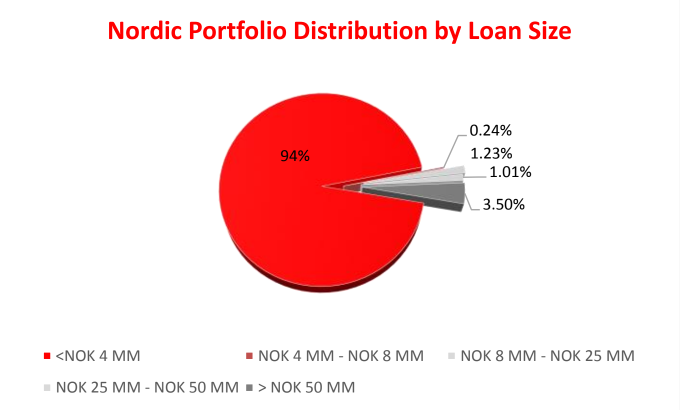
Large exposures to individual customers or to groups of clients that belong together make up a relatively small part of total lending and are considered stable. The overview below shows that the 20 largest customers accounted for only 2.6% of the total balance as of December 2014. This ratio did not change materially during the course of 2014.

Table 2 Customer concentration for Santander Nordic

Customer	Balance (M NOK)	% of Total
Top 5	1,108	1.3%
Top 10	1,495	1.7%
Top 20	2,192	2.6%
Total Portfolio	85,594	

Large exposures to individual customers are diversified across the countries. Exposures are concentrated on retail business where individual exposures are considered low on a one-by-one basis for the entire group and very much concentrated on loans with sizes below NOK 4 million (94%) of the total portfolio.

Figure 6 Distribution by size of loans



Industry

The table below shows the loan concentration per industry in the Nordic Auto Portfolio on 31st December 2014. The majority of the exposure is to private individuals, amounting of 75.32% of the total outstanding balance. The distribution of exposure is highly stable from year to year.

Table 3 Concentration per Industry

Industry	% of Balance
Private	75.32%
Trade and Vehicle Repair	8.86%
Real Estate	4.40%
Construction.	3.81%
Transportation, storage and communications.	3.47%
Agriculture, livestock, hunting and selviculture.	0.68%
Other social activities	0.55%
Healthcare and veterinary activities, social services.	0.47%
Hotel and Catering trade.	0.39%
Education.	0.30%
Public sector, defence and mandatory social security.	0.28%
Diverse manufacturing industries.	0.23%
Metallurgy and manufacture of steel products.	0.23%
Food, beverages and tobacco industry.	0.14%
Financial brokerage.	0.14%
Production and distribution of electricity, gas and water.	0.13%
Mmachinery construction and mechanical equipment.	0.11%
Wood and cork industry.	0.07%
Paper industry	0.06%
Manufacture of transport material.	0.06%
Material and electrical, electronic and optical equipment.	0.05%
Industries of other mineral non metal products.	0.05%
Fishing.	0.04%
Rubber transformation and plastic material industries.	0.04%
Chemical industry.	0.03%
Textile and confection industry.	0.03%
Extraction of energy products.	0.02%
Extraction industries.	0.01%
Other	0.01%

Within the auto finance business, “Commodity Trade and vehicle Repair” is the industry with the greatest exposure with 8.9% of outstanding balance. This category includes car dealerships.

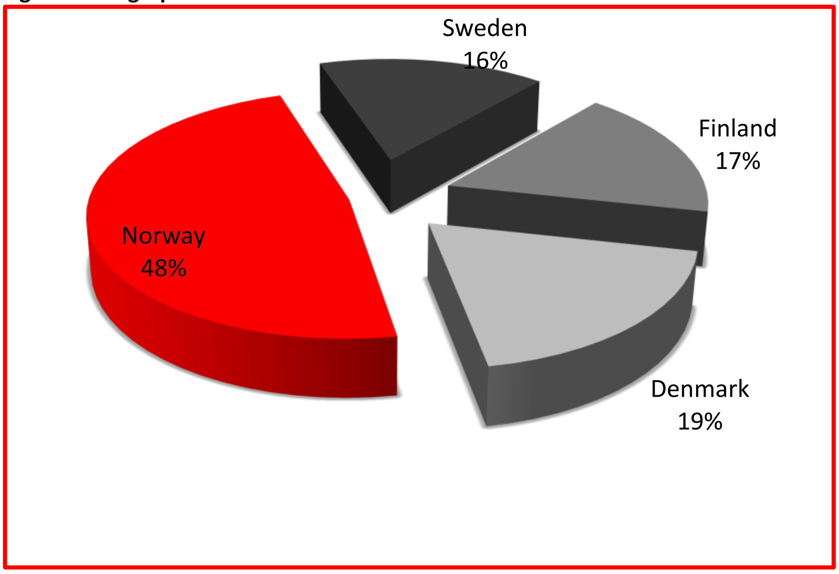
The Bank’s exposure to car dealers and the car industry is material from a business risk perspective. Car financing represents the main source of revenue for the bank, which makes the bank exposed to changes in the demand for cars. From a credit risk perspective, the concentration risk towards this industry is more modest.

Car dealers, as well as consumers, are exposed to the general economic climate. Credit risk connected to the general economy is considered in the chapter on credit risk. Further analyses of simultaneously downturn in different industries or sectors of the economy are included in chapter 5 of this document. The scenarios “Economic downturn” and “Severe economic downturn” incorporate loss estimates that the board considers relevant for a situation where the car industry and consumers suffer, and where the value of used cars might fall. A dramatic decline (20%-25%) in used car prices would probably have a large impact on losses. However, the board considers a dramatic fall in used car prices to be unrealistic and without historical foundation.

Geography

The table below shows the geographical distribution of lending in the Nordic countries, where Norway makes up for 48% of the portfolio. At the country level, customer distribution by region is not over-represented in any specific geographical area.

Figure 7 Geographical distribution



Residual value guarantees

SCB is the legal owner of the financed objects under the leasing product range. For the majority of the contracts, the car dealer issues a buy-back guarantee at a fixed price at the end of the leasing period. The residual value guaranty forms an extra security for the bank in addition to simply having the legal ownership of the financed object. The risk in connection with residual value guarantees is that the car dealer becomes insolvent, in which case Santander has to sell the car through other channels at market price that could be lower than the guaranteed residual value.

In order to secure against such risks, the bank uses a dealer rating model which splits dealers in three categories which are the basis for maximum limit allocations. Other fixed criteria are type of vehicle, agreed mileage and lease period.

The risk of increased loss given defaults that are not simply limited to residual value guarantees, but to the value of the pledged objects in general (residual risk

3.4 Assessment of market risk

Market risk is considered as the potential loss of value in assets and liabilities due to changes in market variables. Santander Consumer Bank's strategy is not to take on market risk in excess of what follows directly from the operations of the Bank. Accordingly, the Bank limits the scope of market risk to risks related to the currency positions that follows from operating in Norway, Sweden, Finland, and Denmark. The Liquidity and Market Risk Policy specifies that currency risk should be minimized as far as possible through denominating asset and debt items, as well as incoming and outgoing cash flows, in the same currency. Santander Consumer Bank does not have a trading portfolio or positions in securities, commodities etc.

The Bank has a liquidity portfolio of highly liquid assets. The market risk on the liquidity portfolio is minimal since the investment mandate is limited to short term level 1 highly liquid assets.

Currency risk in the Bank portfolio

The Liquidity and Market Risk Policy further limits the maximum net position per currency for EUR, SEK and DKK not to exceed the equivalent of NOK 200 million. The total net position in foreign currencies should not exceed NOK 400 million on a consolidated Nordic level.

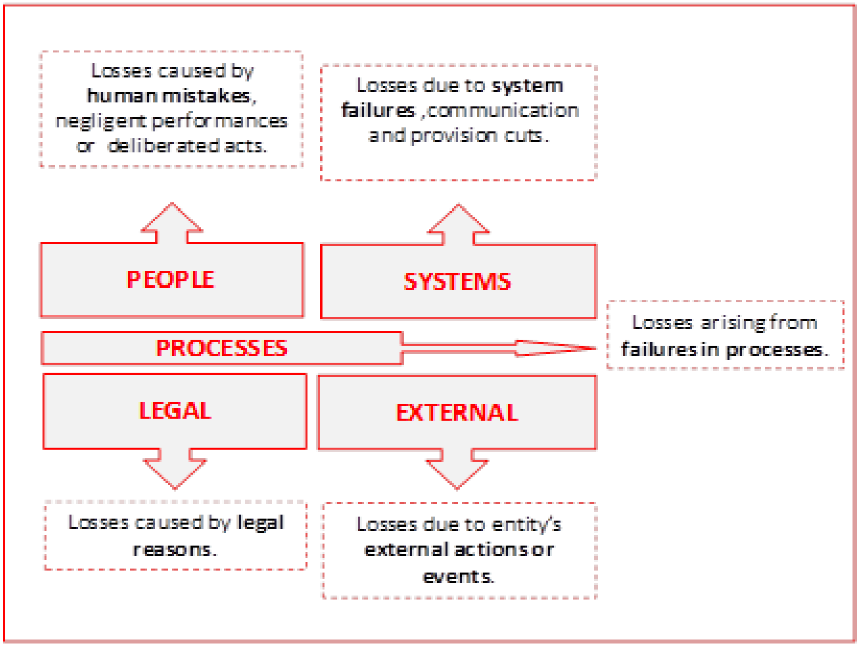
Risk that follows from the bank's net currency position is considered low in relation to the Bank's size.

Using a Value at Risk model, the Bank has estimated that its currency risk exposure could cause losses up to NOK 68 million. Banks pillar 1 requirement for currency risk is NOK 48 million.

3.5 Assessment of operational risk

Under the Basel II accord, operational risk is defined as the risk of loss resulting from or caused by inadequate or failed internal processes, people, systems or external events – as illustrated in figure 1 below. Operational risk is therefore an inherent risk of being in business.

Figure 8 Technology and Operational Risk Origin cause

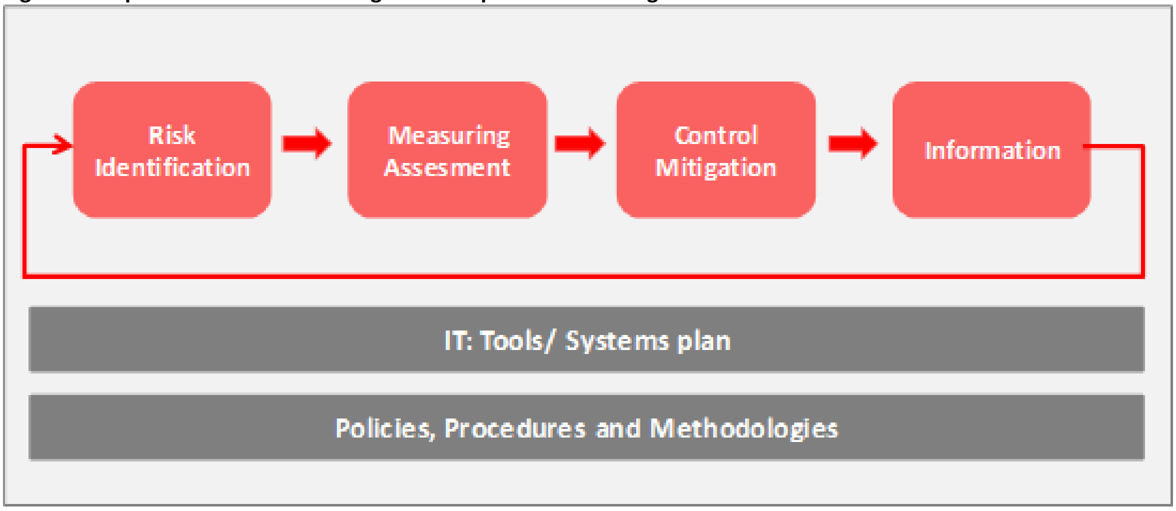


Source: Santander Consumer Finance, Technological and Operational Risk Management Guide, 2011

Santander Consumer Bank is currently applying the Basis Method for computing the bank's capital requirement for operational risk. However, in accordance with Grupo Santander's standards, the bank aims to convert to the Standard Method in the future. Grupo Santander has chosen to initiate implementation of the Standard Method in all its subsidiaries, in order to comply with capital requirement defined in Basel ll.

Grupo Santander Technology and Operations Division has developed a complete "Technological and Operational Risk (TOR) Management Guide", which provides group subsidiaries with the methodology for developing local TOR management models, which will comply with corporate and regulatory standards. The methodology is further supported by a range of management toolsets and a Local Events Database (LEDB) for recording operational risk events.

Figure 9 Grupo Santander's Technological and Operational Management Framework



Source: Santander Consumer Finance, Technological and Operational Risk Guide, 2011

The Group's TOR management framework, as illustrated above, is built upon four key components:

- **Risk identification** – identification of operational risks that the organization is exposed to
- **Measurement and assessment** – assessment of the probability that the risk events will materialize, and a quantification of their consequences
- **Control mitigation** – design and implementation of risk mitigation initiatives, to optimize the management of risks
- **Information** – reporting of actual risk events and associated consequences, to facilitate assessment of risk exposure and adequacy of risk mitigation

Santander Consumer Bank has access to, and benefits from, an extensive range of central support functions and resources when implementing and operating its management framework for handling and reporting operational risk.

Adopting the group's TOR management and control system to the local environment and operations of Santander Consumer Bank will be a focus area for the bank going forward. The bank's management emphasizes that TOR management and control is a continuous process and that it will be developed in accordance to the readiness and maturity of the organization. With regards to the adoption of the corporate TOR management model organization is on place and positions are fulfilled following HR process. Core component implementation has started in 2014 within a pilot implementation phase, where the scope will be limited to Corporate IT processes. An implementation plan for how the corporate model will be rolled out to the entire Nordic operation will be developed.

Santander Consumer Bank is currently adapting to the new Corporate operational risk framework (issues in July 2014), where the 3 lines of defense structure is introduced. A new non-financial risk function has been created as a second line of defense with responsibility to implement the operational risk program and framework in Santander Consumer Bank. Head of this function reports directly to the Nordic Chief Risk Officer.

From a governance perspective, the overall management of the bank's operational risk is delegated to the Nordic Head of Technology & Operations (T&O), and each business unit is staffed with an Operations Manager, as well as an IT responsible and Local Security Officer. Going forward, it is planned to establish a Nordic TOR management role to further support local representatives with the management of TOR related activities.

The bank has established procedures for continuous documentation of the bank's business process architecture. Processes, routines, and systems of each Business Unit are described within process maps, which are available on an internal publishing platform. Workflows in the publishing platform ensure adequacy and periodic control and maintenance of the documentation.

The Board of Directors believes that the bank has set aside enough capital to cover operational risk relative to the bank's exposure. This opinion is based the controls that were carried out in the bank's own internal audit and on the individual evaluations carried out by the group's internal audit functions within credit risk and Basel II. The bank's own risk assessments carried out in connection with the annual internal checking process were also used as a basis for evaluation. In addition, the bank's review of the risk situation is timed so that it can coincide as far as possible with the bank's planning and budgeting processes, so that any conclusions and risk-reducing measures can be taken into consideration in the bank's plans.

Capital requirement for operational risk under pillar 1 at December 2014 was NOK 821 million.

3.6 Assessment of asset-liability risks

ALM risk is the potential loss in value of Santander Consumer Bank's net asset value. For the bank, this covers the interest-rate mismatch position between banking book assets and liabilities on the balance sheet, as well as open currency positions between asset and liabilities. The assessment of currency risk is covered in section 3.4.

Interest rate risk in bank portfolio

Santander Consumer Bank is to strive for a balance sheet composition that minimizes the interest rate risk by balancing the total weighted interest term for both assets and liabilities. The bank is only exposed to interest risk that follows directly from the bank's operations, as it is not to actively to take on interest rate risk.

The bank operates with routines which ensure that the Bank's interest rate risk is continuously monitored and controlled. The Liquidity and Market Risk Policy limits the interest risk exposure for each of the Nordic currencies the bank has operations in.

3.7 Assessment of liquidity risk

Santander Consumer Bank has a well-diversified funding base and a clear strategy to continue the increase in self-funding going forward. The bank has a securitization program and a bond program in the Norwegian market as well as in the Euro market. Retail deposit has been introduced in Norway, Sweden and Denmark and now constitutes more than 25% of the Bank's funding base.

Reducing dependencies to the owner and establishing Santander Consumer Bank as an issuer in the Nordic and International debt capital markets gives the Bank a better position to cope with a short to medium term liquidity crisis on a standalone basis. The bank has a goal of establishing financing from outside the Santander group corresponding to up to 70% of its financing needs in 2015, and at the same time achieving a more diversified funding structure.

Santander Consumer Bank has available facilities in Grupo Santander which corresponds to approximately 25% more than the present financing requirements, in addition to a committed facility of NOK 350 million from a bank outside the group (SEB). The latter is intended to cover short-term liquidity requirements of an operational nature and as a liquidity buffer.

The Bank has established a liquidity portfolio of currently NOK 3 billion in highly liquid assets. The NOK 3 billion in the liquidity portfolio has been decided based on a liquidity stress test, and has been approved by the Board of Santander Consumer Bank AS. The scenarios defined for the stress tests are intended to reflect severe crisis situations potentially causing serious funding problems for SCB. The definition of these scenarios must be dynamic and constantly adapted to the changing state of SCB and to the financial system in general.

The following scenarios have been defined for stress tests at SCB:

Scenario 1: Systemic crisis

- Reduced access to intragroup funding.
- Reduced access to secured funding.
- Moderate outflow of retail deposits.

Scenario 2: Idiosyncratic crisis

- Reduced access to intragroup funding.
- Reduced access to secured funding.
- High outflow of retail deposits.

Scenario 3: Global crisis

- Reduced access to intragroup funding.
- Reduced access to secured funding.
- Moderate drain of retail deposits and relatively high of institutional ones.

The liquidity stress test showed that the bank was able to operate for 12 months in adverse liquidity scenarios with the 3 BN NOK in liquid assets. The diversified funding base and the available credit line from SCF Spain support the banks resistance level to adverse liquidity shocks. A simultaneous deterioration in multiple core funding markets can be sustained in the stressed period given the existing liquidity risk measures. As a result of the 60% LCR requirement effective from October 2015 the bank plans to increase the liquidity portfolio gradually the three first quarters of 2015.

The Bank’s liquidity situation is monitored continuously. The Market Risk and Liquidity Risk Policy lay down the minimum levels for available liquidity and trigger levels for obtaining new liquidity. Santander Consumer Bank operates with liquidity forecasts that run at least six months into the future. These forecasts are updated and monitored on a daily basis. The size of the Bank’s liquid reserves is to be adjusted in relation to the scope and type of borrowing and lending activities, expectations for movements in short and medium-term holdings of cash and cash equivalents. The size of the Bank’s liquid reserves will vary, but they must at all times be sufficient to allow the Bank to meet its ongoing obligations.

3.8 Assessment of risk associated with securitization

The Bank’s securitization program has been implemented across the four Nordic units over the past four years, and serves as an integral part of the Bank’s funding program. Beginning in March 2011, Santander Consumer Bank has completed 14 securitization transactions: six securitizations from its Norwegian auto portfolio, two securitizations with Swedish assets, including a warehouse transaction, three securitizations from the Finnish business, and one out of Denmark. Securitizations are earmarked to provide between 20-30% of our funding needs.

The securitization program has been initiated for the purpose of funding operations. Mitigation of credit risk and/or achieving capital relief is currently not within the scope of the securitizations. The intention of the securitizations is to be able to access international debt capital markets and also potentially to access the liquidity made available by Central Banks to ensure functional credit and money markets.

The securitization program has not, and will not, affect the bank's front or back systems in any significant way. Except for the fact that some additional information is extracted for management and reporting purposes, all systems remain the same.

3.10 Assessment of capital needs for business and strategic risk

Business and strategic risk is the risk of lower earnings than expected. This may be due to lower than expected revenues, higher than expected operating cost, or a combination of the two. This risk is inherent in the chosen set of activities and the cost structure of the bank. As such, it is inherent to the business model and strategy chosen by the bank.

Santander Consumer Bank's core activities and operations are focused within a limited product spectrum, primarily within the consumer finance area and in economies that to a large extent can be expected to coincide when it comes to economic cycles. At the same time, the Nordic region is often considered as one investment area of actual and potential competitors. The bank could therefore expect to be exposed to negative situations, such as falling volumes, access to funding, increased losses or reduced margins, in several of its markets at the same time. The most likely reasons for these scenarios are increased competition (falling volumes and pressure on margins) and increased unemployment/economic downturn (lower volume and increased losses).

The most central change in the competitive landscape is happening in the unsecured consumer finance segment, where we specifically in Norway see a number of new players entering the market. This is typically with consumer loans as their entry product, but with credit cards and geographic expansion to rest of Nordic as part of their strategy. There are also some existing players being put up for sale and/or have plans to go public. The expected impact on this is an increase in customer acquisition cost, as well as pressure on margins. We also see a clear trend towards new technologies applied within payment services and eCommerce. In this area, Santander Consumer Bank does not of today have a strong presence, but is part of the strategic plan.

With regards to the car financing segment, the trend continues where all dealer channels in the Nordic markets are going through a phase of acquisitions and consolidations. A number of larger dealer groups are also expanding their geographical footprint from a single-country to a multi-country and even pan-Nordic presence. The biggest car dealers are likely to place new and greater demands on providers of financial services, when it comes to product range, commission and competence. This development could however work in favor of Santander Consumer Bank's interests as the bank is one of the few who has a full pan-Nordic product offering in this segment.

Santander Nordic

The bank's strategy remains focused on growth in ROA (return on assets) rather than asset growth (gross outstanding). The geographical footprint of the bank is completed as we have a presence in all Nordic countries, however, our pan-Nordic footprint regarding product offering is expected to continue, specifically through the merging of Santander Consumer Bank AB into the bank. By this, we will have credit cards, sales finance, ecommerce and deposits in several new countries, and to a larger extent than today. Inorganic growth opportunities are also something that is continuously considered, but as of today, the merge and integration of Santander Consumer AB has priority. All growth, also beyond current plans will be capitalized satisfactory before it is carried into effect.

We consider that the most relevant and significant risks connected to the current business plan are:

- Renewed increase in credit spread (for funding), combined with an environment that makes us incapable of transferring price increases to our customer
- Renewed and strong negative development for credit losses
- Increased competition with tightening of interest margins
- Merge and integration of Santander Consumer Bank AB

In today's market, with the expected economic development for the next 2-3 years, credit losses are expected to stabilize at current levels. However, the credit spread is expected to potentially fluctuate further subject to macro volatility in general across Europe.

3.12 Assessment of capital needs for insurance risk

Santander Consumer Bank is registered as insurance mediator for several insurance companies, and issue insurance policies on behalf of the insurer. The majority of the policies sold by Santander Consumer Bank are insured by Genworth Financial. Santander Consumer Bank mediates on the liability insurance of the insurance companies.

3.13 Assessment of model risk and calculation uncertainty

Model risk is the risk that a model systematically does not reflect the real world correctly over time in aspects that are essential to its purpose. As a result the outcomes from the model may deviate significantly from reality. This type of risk arises because a model may be incomplete or incorrectly specified, based on unrealistic assumptions, wrong parameter values, or faulty implementation. Hence, the capital requirement may be under- or overestimated.

Since Pillar 1 and Pillar 2 are concerned with downside risk, the possibilities that that the ICAAP capital requirement is underestimated will increase with the level of model risk and calculation uncertainty. Consequently, taking model risk into consideration will lead to a higher estimate for capital requirement.

SCB has a competent credit risk department with a robust credit risk governance processes and procedures with dossiers, methodology and documentation, in line with the specifications and best practice from Grupo Santander and the Basel II regulations. There are implemented processes for managing changes in existing scorecard models and processes for implementation of new scorecard models, with very strict guiding principles and very low fault tolerances. The credit risk department continuously monitors the performance on vintage levels regarding credit risk and impairment.

3.14 Assessment of risk associated with internal governance and control

The purpose of this chapter is to assess the quality of the Bank's internal governance and control.

A high-level description of the systems, processes and policies concerning internal governance and control are found in chapter 2 of this document. Santander Consumer Bank adhere to the principle that internal governance and control should be clear and well defined, and include effective processes for identifying, managing and reporting the risks the Bank is exposed to.

In order to evaluate the internal situation, the Bank considers the Committee of European Banking Supervisions "Guidelines on the Application of the Supervisory Review Process under Pillar 2" (CEBS, 2006) and the FSA of Norway's associated module for self-evaluation of internal governance in credit institutions (Risikobasert tilsyn, 2006).

Corporate Structure and Organization

The Bank has a transparent and uncomplicated organization. There is high correlation between the legal and operational structures, with all business units in the four countries reporting through the established governance structure.

The Management Body (both supervisory and management functions)

All key functions with responsibility and authority are clearly defined. The reporting lines are transparent and follow the functional organization of the Bank. The Bank has in place all necessary and mandatory supervisory functions. These functions supervise legal and operational risks, coordinate their efforts when necessary and ensure compliance with national legislation and instructions from the local FSA and other public authorities.

Internal Control

The Bank has a compliance function which performs the internal control according to national legislation. The compliance function is independent of the business operations and reports directly to the CEO.

The requirement for internal audit is fulfilled, with an Internal Audit Director positioned in the Bank and reporting to the Board of Directors. The Bank also has an internal control function within the Risk Department responsible for compliance towards the Grupo Santander Internal Control Corporate Framework.

Public Disclosure and Transparency

The Bank publishes quarterly interim financial reports and annual reports, in compliance with IFRS and regulations issued by the FSA of Norway.

3.15 Assessment of capital needs for systemic risk

Systemic risk is the risk of collapse of entire financial system as opposed to risk associated with any individual entity within the system. Systemic risk can be realized as a series of correlated defaults among financial institutions occurring over short period of time. From individual entity's point of view, exposure to this risk is determined by its interconnectnes on wider financial sector. High level of interconnectnes increases the banks risk of contamination on systemic risk event.

The Bank's business model is to focus on consumer businesses. Due to this strategy its exposure to other financial entities is very small compared to total size of its operation. SCB holds only few OTC derivatives on its balance sheet for hedging purposes and its lending to other financial institutions is very limited.

In a letter dated 12.11.2014 from Finanstilsynet to the Bank, the regulator specifically addresses the systemic risk within Norwegian Banks due to strong build-up of debt within Norwegian households. For SCB risk created by high household debt levels in Norway can realize in a form of increased defaults, which is further discussed in chapter regarding credit risk. From systemic risk perspective the Bank is not exposed to this risk as it is not active in Norwegian interbank markets.

4. Summary of capital requirement

The documentation in this report shows that the most significant risk to Santander Consumer Bank is credit risk. The capital required to cover the Banks credit risk is NOK 5 553 million under Pillar 1. The capital required to cover the Bank's Pillar 1requirement for market risk amounts up to NOK 28 million, for CVA risk NOK 23 million and for operational risk NOK 487 million. In total the Pillar 1 minimum requirement as of December 2014 was NOK 6 091 million. In addition to minimum requirement Bank needs to cover requirements for Capital conservation buffer, systemic risk buffer and countercyclical buffer. The buffer requirements amount as of December 2014 amount to NOK 4 187 Million

Table 4 Pillar 1 capital requirement and solvency

NOK Million	2014
Pillar 1 minimum requirement (8%)	
Credit Risk	5 553
Market risk	28
CVA Risk	23
Operational Risk	487
Sum	**6 091**
Buffer requirements	4 187
Total capital requriement	**10 278**
Capital Stock	
CET1 capital	8 301
preferred shares	2 250
Gross Tier1	**10 551**
Subordinated loans	341
Gross Tier2	**10 892**
Solvency ratios	
CET1 Ratio	10,90 %
T1 Ratio	13,86 %
T2 Ratio	13,86 %

Source: Santander Consumer Bank internal capital adequacy process